

### Swiss Re Asset Management invests in Britam

Plum LLP, a key shareholder of Britam has entered into a share purchase agreement with Swiss Re Asset Management Geneva. Swiss Re will purchase 348,504,000 shares, in a transaction estimated at Kshs 4.8 bn. Upon completion of this transaction, Swiss Re will hold at least 13.8% of Britam’s issued ordinary shares. The transaction takes place at a P/B multiple of 1.3x. This is the 3<sup>rd</sup> major investment in Britam by international institutions, who have been attracted to invest in the company owing to its strong market presence, innovative product development and wide distribution network.

Below is a summary transaction that have taken place in the insurance sector in Kenya within the last 7 years.

Insurance Sector Transaction Multiples over the last Seven Years							
No.	Acquirer	Insurance Acquired	Book Value (bn Kshs)	Transaction Stake	Transaction Value (bn Kshs)	P/B	Date
1.	Africa Development Corporation	Resolution Health East Africa	N/A	25.1%	0.2	N/A	Dec-10
2.	Leapfrog Investments	Apollo Investments	0.3	26.9%	1.1	15.6x	Dec-11
3.	Saham Finances	Mercantile Insurance	0.5	66.0%	Undisclosed	N/A	Jan-13
4.	Swedfund	AAR	0.4	20.0%	0.4	5.4x	May-13
5.	BAAM	Continental Re Kenya	0.7	30.0%	0.3	1.4x	Apr-14
6.	Union Insurance of Mauritius	Phoenix of East Africa	1.8	66.0%	2.0	1.6x	May-14
7.	UK Prudential	Shield Assurance	0.1	100.0%	1.5	10.2x	Sep-14
8.	Swiss Re	Apollo Investments	0.6	26.9%	Undisclosed	N/A	Oct-14
9.	Britam	Real Insurance Company	0.7	99.0%	1.4	2.1x	Nov-14
10.	Leap Frog Investments	Resolution Insurance	0.2	61.2%	1.6	11.7x	Nov-14
11.	Old Mutual Plc	UAP Holdings	9.6	60.7%	11.1	1.9x*	Jan-15
12.	MMI Holdings	Cannon Assurance	1.7	75.0%	2.4	1.9x	Jan-15
13.	Pan Africa Insurance Holdings	Gateway Insurance Company Ltd	1.0	51.0%	0.6	1.1x	Mar-15
14.	Barclays Africa	First Assurance	2.0	63.3%	2.9	2.2x	Jun-15
15.	IFC	Britam	22.5	10.4%	3.6	1.5x	Mar-17
16.	Africinvest III	Britam	28.5	14.3%	5.7	1.4x	Sep-17
17.	<b>Swiss Re Asset Management</b>	<b>Britam</b>	<b>22.6</b>	<b>13.8%</b>	<b>4.8</b>	<b>1.3x</b>	<b>Jun-18</b>
	<b>Harmonic Mean</b>			<b>29.9%</b>		<b>2.1x</b>	
	<b>Median</b>			<b>55.9%</b>		<b>1.9x</b>	

The 1.3x P/B represents a transaction multiple that is below the average of past transactions, which were carried out at 2.1x P/B. This indicates the attractiveness of the insurance sector, which is currently trading at a P/B of 1.3x against a historical 10-year average of 1.7x.

The lower valuations, coupled with increased capital requirements across the sector and regulatory demand for more discipline in the Financial Services sector, will most likely lead to more mergers and acquisitions transactions. On one hand are capital hungry businesses at attractive valuations and on the other is shrewd money seeking attractive returns, and we believe going forward this should make for an active deal environment in the year.